

GIC Public Hearing

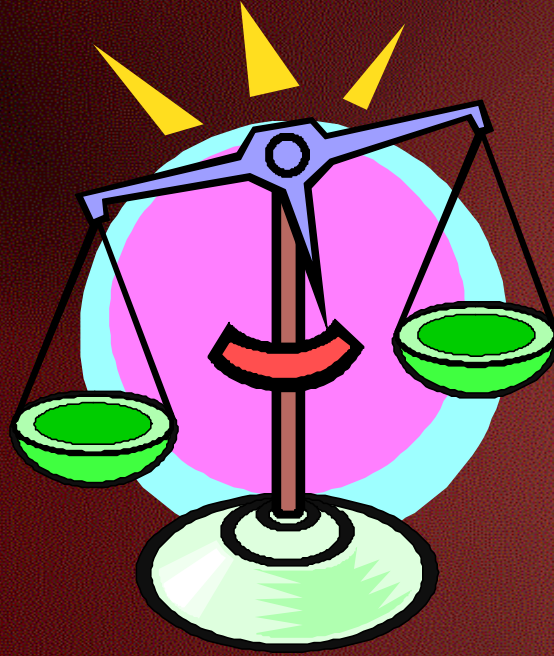
February 2, 2005

Health Care Costs Continuing to Rise

***GIC and its enrollees must shift how
we purchase and use health care***

The GLC's dual responsibilities

Keep costs as low as possible



Continue to offer comprehensive benefits to employees, retirees and their dependents

The health care landscape: no end in sight to double-digit premium increases

Why is this happening?

- Direct-to-consumer drug advertising and the influx of new expensive drugs
- Sharp increases in use of high-technology equipment (CT scans, MRIs)
- Population getting older - - using more health services
- Continued opposition to managed care

Other cost drivers

- Consolidation of hospital networks: greater clout on prices
- Inflation: increased hospital wages; hospital contracts more costly

“One (factor driving up hospital prices) is sharp decline since 2001 in hospital Medicare margins – a situation that creates a strong incentive for hospitals to shift costs to private payers”

Meanwhile: patient safety is improving, but slowly

- **1999 Institute of Medicine Report “To Err is Human”**
 - 98,000 people die each year in hospitals due to preventable medical errors
- **2001 IOM Report “Crossing the Quality Chasm”**
 - U.S. health care delivery system does not provide consistent, high-quality medical care to all people
- **2003 RAND study – less than 55% of patients receive care that meets medical best practice quality standards**

But, some progress being made: greater recognition that patient safety is a serious issue

Working to increase awareness and accountability:

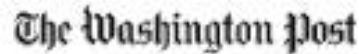
- **Leapfrog Group**
- **Betsy Lehman Center for Patient Safety and Medical Error Reduction**
- **Massachusetts Coalition for the Prevention of Medical Errors**

You've read about these trends in the news

"Hospital Group to Detail Safety Plan" *Boston Globe* January 26, 2005



"Sick About Health Care; Employers and Politicians Struggle to Find Solutions"



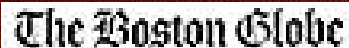
Washington Post May 26, 2004

"Health Plans Cover Fewer While Costs Keep Rising"

New York Times August 27, 2004

"G.M. Says Costs for Retiree Care Top \$60 Billion – Cost adds \$1400 per vehicle" *New York Times* March 12, 2004

"State Health Insurance Debate Looms"



Boston Globe December 6, 2004

"Warnings About Medications' Risks Add Worry to Pain"

Washington Post
December 23, 2004

"Hurting Care, and Lives"

Washington Post December 28, 2004

Because of these trends, some purchasers
have cut benefits



Retiree health care coverage – large employers

1988 – 66% covered retirees

2004 – 36% cover retirees

HEINZ FAMILY PHILANTHROPIES

Retiree drug coverage

Non-Medicare Retirees

1993 – 46% covered drugs

2004 – 28% cover drugs

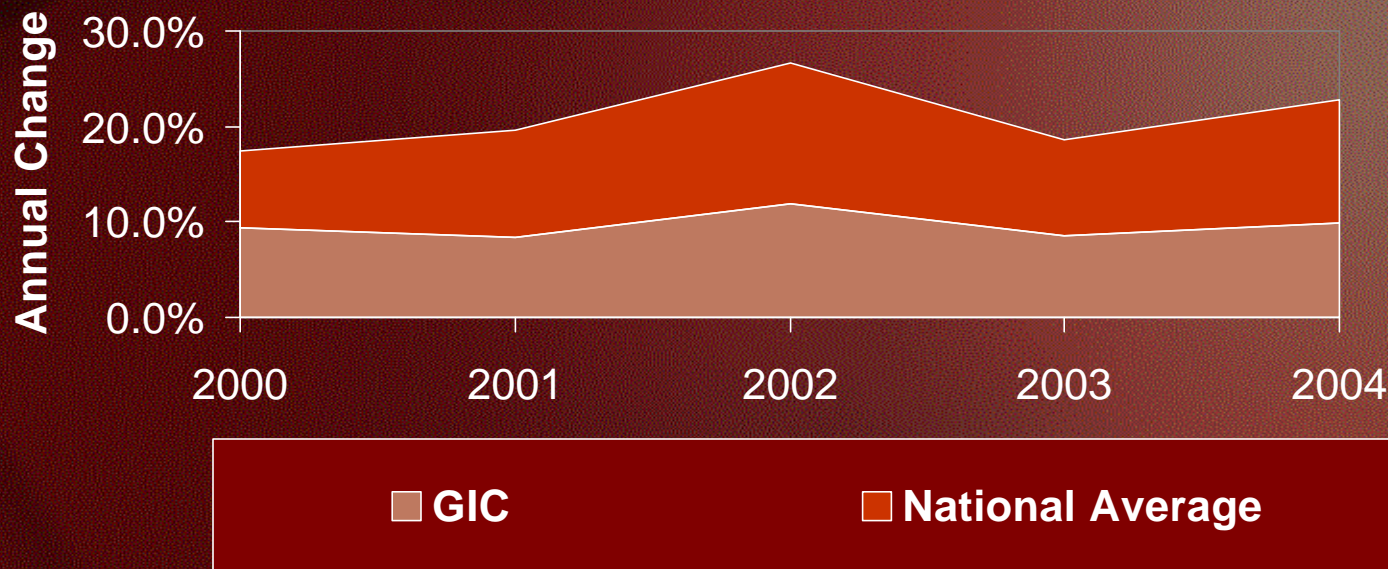
Medicare Retirees

1993 – 40% covered drugs

2004 – 21% cover drugs

Although the GIC's average premium increases are better than national trends, rates of increase are not sustainable

**Average Change in Health Insurance
Premiums
(2000 - 2004)**



Cost increases will continue unless we collectively change the way we purchase and use health care

- Health plan premium requests for next year ask for 14% increase
- Negotiations continuing, but premiums will increase across the board



Cost challenges



- In FY04 - The GIC was the 6th largest state expenditure
- Structural state deficit continues
- Other important initiatives also demand additional funding – health care for uninsured, city and town aid, and support for education
- Annual double-digit growth in the GIC's budget is not possible

Actual % contribution will not be known until after Annual Enrollment

- **Governor's FY06 House 1 GIC budget based on following premium contribution change:**
 - **Employees 75%/25%**
 - **Retirees**
 - 90%/10% retired on or before July 1, 1994 and are age 65 or older
 - 85%/15% retired after July 1, 1994 and are age 65 or older
 - 75%/25% retirees under age 65
 - **Dental Vision 75%/25%**
- **Legislature's version not known until spring**

To address the quality/cost dilemma, the GIC introduced a new way to select health care

- GIC providing health plans with comprehensive data to identify cost-effective providers
- Clinical Performance Improvement (CPI) Initiative engages enrollees by providing lower co-pays for choosing cost-effective, high quality care
- CPI Plans designated by Select & Save logo for upcoming FY06 annual enrollment



Examples of new ways to select care



Other Non-Medicare Plans Will Be Added

- **Navigator by Tufts Health Plan** – providing inpatient hospital co-pay incentives for choosing quality, cost-effective hospitals
- **Fallon Community Health Plan Direct Care** – providing lower premium and co-pay costs for choosing their smaller managed care network
- **Commonwealth Indemnity Community Choice Plan** – providing co-pay incentives for seeking most care at local hospitals

GIC also involved in national and state efforts to reduce medical errors

- **Leapfrog Group work continues – 4th standard gives overall quality index for Massachusetts hospitals – GIC will again provide hospital scores to enrollees**
- **E-Health Collaborative – computerized medical records**
- **MedsInfo - prescription history made available at emergency rooms**

- **Commonwealth Indemnity Plans:**
 - Bone mineral testing coverage for women added (*once every two years ages 40-64; annually age 65 and over*)
 - Increased coverage for physical therapy and occupational therapy – will be 100% (less co-pay)
 - Lipid panel cholesterol screening coverage once every five years added

Potential non-Medicare Plan co-pay changes

- **Commonwealth Indemnity Plan PLUS:**
 - Physician office visit co-pay \$15
 - Establish two-tier hospital network: inpatient hospital co-pay \$200/\$400
- **Commonwealth Indemnity Community Choice:**
 - Expand hospital network from 41 to 47
 - Eliminate preferred/non-preferred network for non-hospital lab – all facilities covered at 100%
- **Navigator by Tufts Health Plan – establish three-tier hospital network: inpatient hospital co-pay \$150/\$300/\$500**

Potential non-Medicare Plan co-pay changes *(continued)*

- **Fallon Community Health Plan – Direct Care**
 - Reduce inpatient hospital co-pay to \$200
 - Reduce outpatient surgery co-pay to \$50
- **Health New England**
 - Establish two-tier hospital network: inpatient hospital co-pay \$200/\$400
 - Establish two-tier diagnostic imaging network: co-pay \$0 tier 1 and \$100 tier 2
 - Diabetic and nutritional programs added
 - Establish \$25 co-pay for physical and occupational therapy

Potential Medicare Plan co-pay changes



- **Tufts Secure Horizons Prescription Drug Co-pay decreases:**
 - Retail \$10/\$20/\$40
 - Mail-order \$20/\$40/\$80

Medicare Part D prescription drug coverage

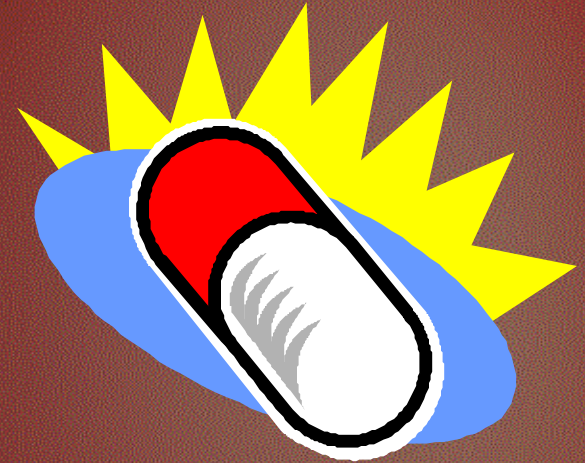


- This program was designed for people who do not have drug coverage – you do!
- Don't sign up! It's a waste of your money
- GIC pharmacy coverage is better than the Medicare choices that will become available

GIC pharmacy program for Indemnity Plans

-- changes under consideration

- Pharmacy benefit manager (PBM) will be selected 2/18/05
- To deal with problem of some people not taking their drugs and some people taking wrong drugs, Commissioners will consider new Select & Save prescription drug program



Other possible benefit changes

- **Long Term Disability (LTD)**
 - Outpatient mental health benefit upgraded to 24 months
 - Slight rate increase
- **Retiree Dental Plan gets cheaper:**
 - Premiums down
 - Reimbursement up (and potential out-of-pocket costs down)

Take a fresh look at buy-out option

- **You can buy out coverage if you were insured with the GLC January 1, 2005 or before:**
 - **Receive monthly payments of 25% of full cost premium in lieu of health insurance benefits for one 12-month period of time**
 - **Must have comparable non-state coverage elsewhere**

FY06 Annual Enrollment – changes effective July 1, 2005

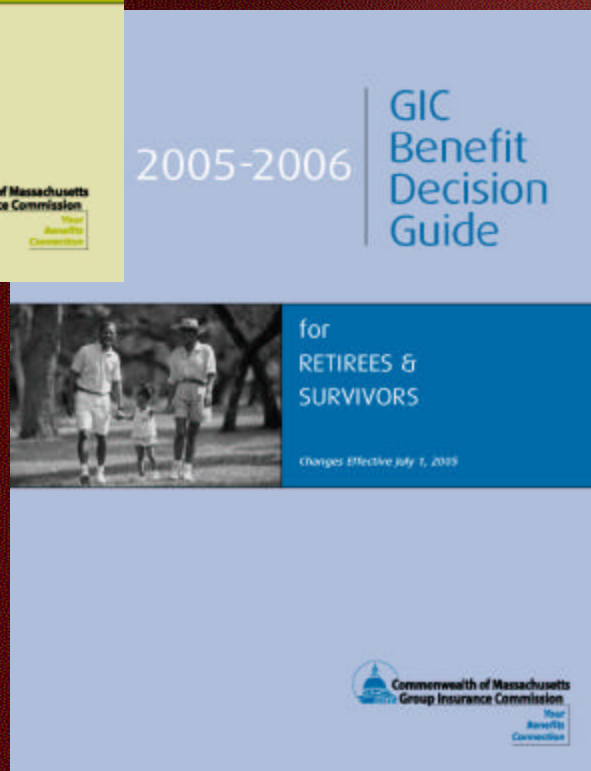
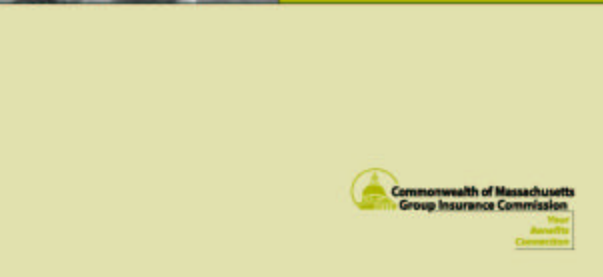
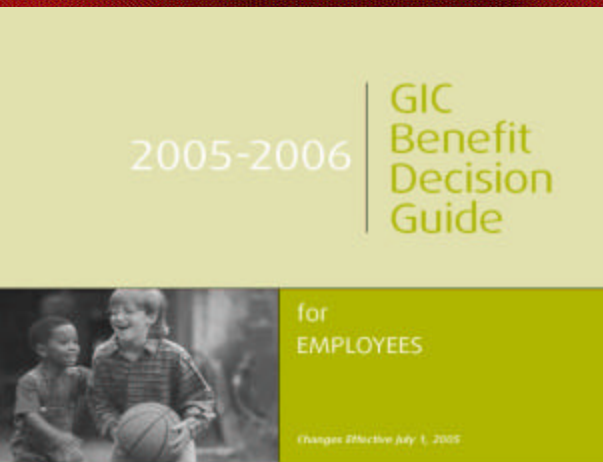
Monday, April 11 – Friday, May 13:

- Change your health plan
- Apply for Health Insurance Buy-out plan
- Employees can apply for optional life insurance, Long Term Disability and opt in or out of pre-tax basic life and health insurance deductions
- Managers can enroll in or change Dental/Vision selections
- Retirees can enroll in the GIC Retiree Dental Plan

You are part of the solution for maintaining comprehensive benefits at affordable prices – your responsibility doesn't end at annual enrollment

- **Weigh your health plan options: price, choice, quality, and restrictions**
- **Weigh your selection of providers**
- **Take charge of your own health**

GIC tools assist you in this effort



- ***Benefit Decision Guide***
- ***For Your Benefit newsletter***
- **Website**
- **Health Plan and Leapfrog Report Card**

Contact plans and attend a health fair for additional information

- 17 health fairs across the state
- New locations: Chelsea Soldier's Home, State Transportation Building and State House
- Two Saturday fairs
- Schedule now on website and will be in *Benefit Decision Guide* and *FYB* newsletter

2005 GIC HEALTH FAIR SCHEDULE

Commonwealth of Massachusetts
Group Insurance Commission

2005-2006 Annual Enrollment
APRIL 11 – MAY 13
For changes effective JULY 1, 2005

APRIL 2005

12 TUESDAY	11:00-3:00	28 THURSDAY	10:00-3:00
Bristol Community College Commonwealth Center-Atrium Area 777 Edison Street	FALL RIVER, MA	State House, Great Hall 2nd Floor Beacon Street	BOSTON, MA
14 THURSDAY	1:00-4:00	29 FRIDAY	11:00-3:00
Weymouth Community College Barley Center 303 Homestead Avenue	HOYOSKE, MA	MI. Wachusetts Community College Commons Area 444 Green Street	GARDNER, MA
15 FRIDAY	11:00-2:00	30 SATURDAY	11:00-3:00
Berkshire Community College Patterson Field House 1250 West Street	PITTSFIELD, MA	State Lottery Commission 1st Floor Conference Room 60 Columbian Street	BRAINTREE, MA
19 TUESDAY	11:00-3:00	MAY 2005	
Wareham Developmental Center Graves Auditorium Littlefield Street	WAREHAM, MA	4 WEDNESDAY	11:00-3:00
20 WEDNESDAY	9:00-3:00	Haverhill Essex Community College Haverhill Campus Bentley Library Conference Area Bloom Way	HAVERHILL, MA
McCormack State Office Building One Ashburton Place-21st Floor	BOSTON, MA	6 FRIDAY	11:00-3:00
21 THURSDAY	11:00-3:00	Chelsea Soldier's Home Quigley Dining Room 91 Crest Avenue	CHELSEA, MA
Middlesex Community College Campus Center Building B Springs Road	BEDFORD, MA	9 MONDAY	11:00-4:00
22 FRIDAY	11:00-3:00	State Transportation Building Conference Rooms 1, 2 & 3 10 Park Place	BOSTON, MA
Quinnipiac Community College Library/Learning Center-Room 109 670 West Boylston Street	WORCESTER, MA		
23 SATURDAY	11:00-3:00		
Mass Maritime Academy Baystate Conference Center-Cafeteria Academy Drive	BUZZARDS BAY, MA		
25 MONDAY	10:00-3:00		
U-Mass Amherst Student Union Ballroom	AMHERST, MA		
26 TUESDAY	10:00-3:00		
Hampden County Sheriff's Department Hampden County Correctional Center 627 Randall Road	LUDLOW, MA		
27 WEDNESDAY	11:00-3:00		
Northwestern Community College Health Professions and Science Building One Fenwick Road	DANVERS, MA		

Attend a health fair and see your GIC Benefit Decision Guide to find out about your options:

- Change your health plan
- Enroll in or change selections*:
 - GIC Dental/Vision for managers, legislators, legislative staff and certain Executive Office employees
- Apply for*:
 - Optional Life Insurance
 - Long Term Disability (LTD)
 - Opt in or out of pre-tax premium deductions
- Buy-Out Plan

* See your GIC Benefit Decision Guide for eligibility and option details.

Return completed forms to your GIC Coordinator by **MAY 13, 2005**

Looking ahead to FY07 and beyond

- **The GIC will provide additional quality and cost-efficiency information to help you select a plan and providers**
- **We will provide co-pay incentives for seeking quality, cost-effective care**
- **Enrollees will be encouraged to become wiser consumers**